STATE OF CALIFORNIA PETE WILSON, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

September 26, 1995

VIA FEDERAL EXPRESS

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William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20036

Re: Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network, Docket No. 95-115

DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

Please find enclosed for filing an original plus eleven copies of the COMMENTS OF THE PEOPLE OF THE STATE OF CALIFORNIA AND THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA ON THE NOTICE OF PROPOSED RULEMAKING the above-referenced proceeding.

Also enclosed is an additional copy of this document. Please file-stamp this copy and return it to me in the enclosed, self-addressed, postage pre-paid envelope.

If you have any questions, please call the undersigned at (415) 703-2047.

Very truly yours,

Ellen S. LeVine

Ellen S. LeVine
Attorney for CPUC

ESL:mal

Enclosures

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List A B C D E

ORIGINAL

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

DOCKET FILE COPY ORIGINAL

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Amendment of the Commission's) CC Docket No. 95-115
Rules and Policies to Increase)
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Public Switched Network)

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COMMENTS OF THE PEOPLE OF THE STATE OF CALIFORNIA AND THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA ON THE NOTICE OF PROPOSED RULEMAKING

The People of the State of California and the Public Utilities Commission of the State of California ("California" or "CPUC") hereby respectfully submit their comments on the Notice of Proposed Rulemaking ("NPRM") of the Federal Communications Commission ("FCC" or "Commission") regarding policies to increase subscribership and usage of the public switched network.

In the Subscribership NPRM the FCC proposes three policies that aim to curb the negative effects of high interstate long distance bills on subscribership: (1) require local exchange carriers ("LECs") to provide voluntary toll restriction services, (2) require LECs to adjust deposit requirements for low income subscribers that agree to accept voluntary toll restriction service, and (3) prohibit LECs from disconnecting basic telephone service for non-payment of interstate long distance charges. The first two policies, voluntary toll restriction and deposit adjustment, are designed to help consumers gain control over their calling patterns. The third policy on restricting disconnection aims at mitigating the effects of a consumers' lack of control over calling.

1. Call Control Initiatives

The Commission's call control initiatives are based on the assumption that non-subscribers are often former subscribers who had difficulty paying long distance bills. As the Commission notes in its NPRM, this premise is substantiated by the "Affordability of Telephone Service" study conducted by the Field Research Corporation for GTE and Pacific Bell by order of the CPUC. The "Affordability of Telephone Service" study found that most non-subscribers were once subscribers (S-18) and that control of toll charges was the main cost related cause for not being able to afford telephone service. (S-13)

Well-publicized voluntary toll restrictions may help increase subscribership. The "Affordability of Telephone Service" study found that these non-subscribers have a great deal of interest in call control services. Among non-subscribers, 77% of those eligible for lifeline said they would be interested in call control services when it was described to them and 46% of those not eligible for lifeline services expressed interest in call control. (S-17) However, based on the survey it is unclear how much non-subscribers would be willing to pay for toll restriction services. At the time of the survey, California's largest LEC, Pacific Bell, did not offer voluntary toll restrictions.

California's large and mid-sized LECs have or soon will have voluntary toll restriction services. Pacific Bell, California's largest LEC, has recently applied to offer (1) a voluntary toll restriction service, and (2) a deposit adjustment offering where consumers with troubled credit histories can obtain service with a reduced deposit if they accept toll restrictions. These toll restriction plans cost between $2.00 and $5.00 per month for residential access lines. These restriction plans can include both intraLATA toll and interLATA toll, although some LECs allow restriction on interLATA without restrictions on intraLATA. California lifeline customers have unlimited access to interexchange carriers and no limits on toll calling. No California LEC offers toll restriction at a reduced rate for lifeline customers.

The two call control policies the Commission has proposed, voluntary toll restriction and reduced deposits, should be effective means of increasing subscribership. Well-publicized, low cost voluntary toll restriction services should help consumers manage interexchange bills. Deposit adjustments for consumers willing to accept toll restrictions should help non-subscribers get back on the network and subsequently manage their telephone bills. The CPUC sees no reason for limiting the deposit adjustment option to lifeline customers.

2. Prohibiting Disconnection of Local Service for Non-Payment of Interstate Long Distance Charges

In the NPRM the Commission seeks comment on "prohibiting any common carrier from interrupting or disconnecting a telephone subscriber's primary local exchange service for failure to pay interstate long distance charges." (NPRM 13) The CPUC supports this policy because it may increase subscribership. As noted above, the "Affordability of Telephone Service" study indicates that lack of control over long distance bills is a primary cause of non-subscribership. In addition, the eleven States that prohibit disconnection on average have higher subscribership rates (94.9%) than states that do not (93.5%). (The eleven states have an average subscribership rate approximately equal to California's (94.8%).) ("Telephone Subscribership in the United States" Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, April 1995.) The Commission also notes that the first state to adopt this policy, Pennsylvania, has the highest subscribership rate in the nation. Pennsylvania's high subscription rate is particularly remarkable because it has been accomplished without a lifeline program. The experience of Pennsylvania and other states suggest that the policy is feasible and beneficial.[1]

Prior to implementing any rules, certain aspects of the Commission's policy need further clarification. Specifically, what types of "essential" service does the Commission want to

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1. At the same time, the states with disconnection prohibitions may share other characteristics that lead to high subscribership rates, such as high personal income, low prices, good access to customer service in the consumer's primary language or other effective policies to promote subscribership. For example, elsewhere in the NPRM the Commission attributes Pennsylvania's high subscribership rates to call control policies. (NPRM 8) The experience of states that have adopted the policy more recently, such as New York, with respect to the effectiveness and cost of the proposed policy may also be valuable in determining the relationship of the no-disconnect policy and subscribership levels.

ensure access to at the expense of non-payment of other less essential services? California currently has a number of policies to ensure access to essential services. California's recently enacted "warm line" law prohibits disconnection of access to emergency services for any reason, including non-payment of local or long distance charges. (California Public Utilities Code Section 2883) The California legislature views 911 services as the most essential telephone service which should not be disconnected under any circumstances. California also prohibits disconnection for non-payment of information services and enhanced services.

In addition, the Commission's disconnection policy is proposed in the context of legally separated local and long distance markets. (NPRM 12) However, this legal separation is not likely to last long. The CPUC has received several applications for authority to offer local services by interexchange carriers ("IECs") beginning January 1, 1996. Currently, the non-disconnection policy means that an LEC cannot disconnect basic local service for non-payment of an IEC's interstate services. As carriers are able to offer an entire range of services -- basic, enhanced, intraLATA toll, intrastate interLATA toll, and interstate interLATA toll -- the Commission's policy will mean that a carrier cannot disconnect some of its services for non-payment of other services provided by the same carrier. This type of policy implicitly views some services as essential and others as "non-essential" and states that essential services should not be disconnected for non-payment of non-essential services. Some states that prohibit disconnection, such as Idaho, explicitly recognize such a distinction. The Commission rules should address this issue.

In sum, the CPUC supports the Commission's proposed disconnection policy and believes that it may increase subscribership. However, the policy should anticipate a market where carriers offer a range of services including both local and long distance services. In this context, the policy should also articulate the essential services to which it is aiming to protect access. Finally, a disconnection policy would be most effective if coordinated with states to promote access to essential services regardless of jurisdictional differences.

3. Conclusion

The Commission's proposed voluntary toll restriction policies should help consumers control interstate toll bills and continue access to the public switched telephone network. The Commission's proposed restrictions on disconnection of local service for non-payment of interstate interLATA charges may also promote subscribership, but should be workable in a market where

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all carriers can offer all services. Finally, the Commission's initiatives would have the greatest prospect of success if coordinated with state efforts to promote subscribership.

Respectfully submitted,

PETER ARTH, JR.
EDWARD W. O'NEILL
ELLEN S. LEVINE

By: Ellen S. LeVine
Ellen S. LeVine

Attorneys for the People of the State of California and the Public Utilities Commission of the State of California

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September 26, 1995

CERTIFICATE OF SERVICE

I, Ellen S. LeVine, hereby certify that on this 26th day of September, 1995 a true and correct copy of the foregoing COMMENTS OF THE PEOPLE OF THE STATE OF CALIFORNIA AND THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA ON THE NOTICE OF PROPOSED RULEMAKING was mailed first class, postage prepaid to all known parties of record.

Ellen S. LeVine

Ellen S. LeVine

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